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June 1, 2004

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Mr. Kent Hoffman, Deputy State Director
Utah State Office
Bureau of Land Management
324 South State Street
P.O. Box 45155
Salt Lake City, Utah 84145-0155

Re: Potassium Leases UTU-087809 - UTU-087818

Dear Mr. Hoffman:

We appreciate, very much, the opportunity that Bob Jornayvaz and I had to meet with you and Jim Kohler on the afternoon of Tuesday, May 25, 2004. I am writing on behalf of Intrepid Wendover Potash, LLC ("Intrepid") to confirm our discussions of that day, to request your further action with respect to the approval of the assignments from Reilly Industries, Inc. into Intrepid Wendover Potash, LLC and to respond to the decision of April 16, 2004 regarding the requirement for the posting of a reclamation bond in connection with the above-captioned leases. The other documents requested by the Decision of April 16, 2004, will be submitted under separate cover.

As we discussed in our meeting, it is important to proceed with the approval of the assignments of the Federal Potash Leases from Reilly Industries, Inc. to Intrepid. Since acquiring the Wendover properties, Intrepid has begun an aggressive effort to develop the Wendover properties and to update all of the mine planning and particularly the reclamation planning documentation. As Mr. Jornayvaz showed you at the meeting, Intrepid has prepared an extensive mine plan and reclamation document for its Moab operations. It is anticipated that similar documentation will be prepared for the Wendover facility.

As indicated in the meeting, Shaw Engineering is already on-site and is beginning the process of preparing the appropriate documentation. Since all of this work is being done by Intrepid, it is important to obtain the BLM's approval to the transfer of the leases in order for

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Intrepid to take action as the lessee of Record. As we discussed in the meeting, Intrepid is proposing that the BLM adjust the bonding requirement contained in the Decision of April 16, 2004 to temporarily reduce the amount of the required lease bond. By this letter, Intrepid is proposing that the bond amount be set currently at the amount of \$250,000.00 with the understanding that the parties will reevaluate the amount of the Bond once the full mining and reclamation plan has been submitted and reviewed by the BLM. Intrepid is proposing that the Bond will be posted as a cash equivalent bond. If a bond in this amount is satisfactory on a temporary basis until matters can be further resolved, we would appreciate your early response. If that amount is acceptable, Intrepid will immediately post the bond and provide the other documentation necessary to allow the BLM to approve the transfer of the leases.

As we discussed in the meeting, there have been a number of long-standing issues that need to be resolved with regard to the Wendover facility. For discussion purposes, we have identified those issues as follows:

- **Revised Mining and Reclamation Plan** – The agencies involved in this discussion must include both the BLM and the State of Utah, Division of Oil, Gas and Mining ("DOGM"). Intrepid is proposing that a comprehensive revision of the existing approved mining and reclamation plan be prepared and submitted.
- **Reclamation Bonding** – This is an issue that is directly related to the revised mining and reclamation plan and also involves the BLM and the DOGM. Intrepid is proposing that decisions regarding reclamation bonding be postponed until the revisions to the mining and reclamation plan have been resolved.
- **Production Verification** – This is an issue of particular concern to the BLM, but is also of obvious concern to both Intrepid and the School and Institutional Trust Lands Administration ("SITLA").
- **Unit Agreement** – The BLM, SITLA and Intrepid are each interested parties in resolving any issues regarding reallocation of production under the Unit Agreement.
- **Salt Lay Down Project** – This is a matter that is of interest to the BLM, Intrepid, SITLA and other members of the public.



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Intrepid is proposing that a meeting be held during the week of June 28th, with the BLM initially, to discuss the scope and current status of each of these issues. If you feel it is appropriate to do so, other involved agencies could also be invited to such a meeting. DOGM is particularly interested in the development of the mining and reclamation plan. ✓

Following the meeting in June, Intrepid is proposing that a meeting be held during the week of July 26th to provide an update to the agencies with respect to the status of the mining and reclamation plan and to evaluate the progress in each of the other areas of discussion as a follow-up to the initial scoping meeting.

Intrepid is proposing that a final scheduled meeting be held during the week of November 8th to review a final draft of the mining and reclamation plan prior to its formal submission to the BLM and the DOGM. We would be happy to hold monthly meetings, as needed, between the July meeting and the November meeting to provide progress reports.

While we recognize that this is an aggressive schedule, we also appreciate that these matters have been pending for some time and are in need of resolution. Some of the other issues might not be resolved during these early meetings, but the meetings should serve to facilitate the timely implementation of a revised mining and reclamation plan together with the appropriate reclamation bonding on both federal, state and fee lands.

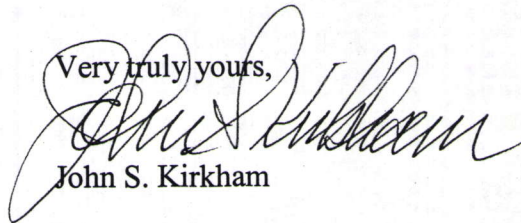
If the foregoing proposals meet with your approval, we would appreciate your response confirming that the posting of the bond as mentioned above will be adequate to allow the transfer of the leases to occur. We would also appreciate receiving information regarding the availability of you and/or your staff to participate in the meetings as proposed over the course of the next few months. We will need to coordinate those meetings with the other agencies and therefore suggest that if you could propose specific dates during the weeks, we could then compare everyone's schedule and confirm availability for the various meetings. If you are unable to confirm all of the meetings, we should at least try to set the meeting during June as quickly as possible and then we can confirm available dates in July and November at the initial meeting.



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I would be happy to discuss these issues with you or your designated staff representative at your convenience.

Very truly yours,



John S. Kirkham

JSK:jse

Cc: Bob Jornayvaz, Intrepid

Lowell Braxton, Division of Oil, Gas & Mining

Tom Faddies, SITLA

Glenn Carpenter, BLM Salt Lake Field Office